GENERAL MOTORS ANNUAL REPORT 1978

Contents

S.E.C. Form 10-K

Common stockholders (including beneficial owners) may obtain a copy of the General Motors Corporation Annual Report to the Securities and Exchange Commission on Form 10-K after April 3, 1979. Requests should be addressed to: Manager, Stockholder Relations, General Motors Corporation, Room 11-229, 3044 West Grand Boulevard, Detroit, Michigan 48202, 313-556-2044.

The Annual Meeting of Stockholders

will be held on May 25, 1979, in Detroit, Michigan.

It is expected that proxy material will be sent to stockholders beginning about April 12, 1979, at which time proxies for use at this meeting will be requested.

Principal Offices

General Motors Corporation
(a Delaware Corporation)
3044 West Grand Boulevard
Detroit, Michigan 48202

767 Fifth Avenue
New York, New York 10022

Stock Transfer Offices

767 Fifth Avenue
New York, New York 10022

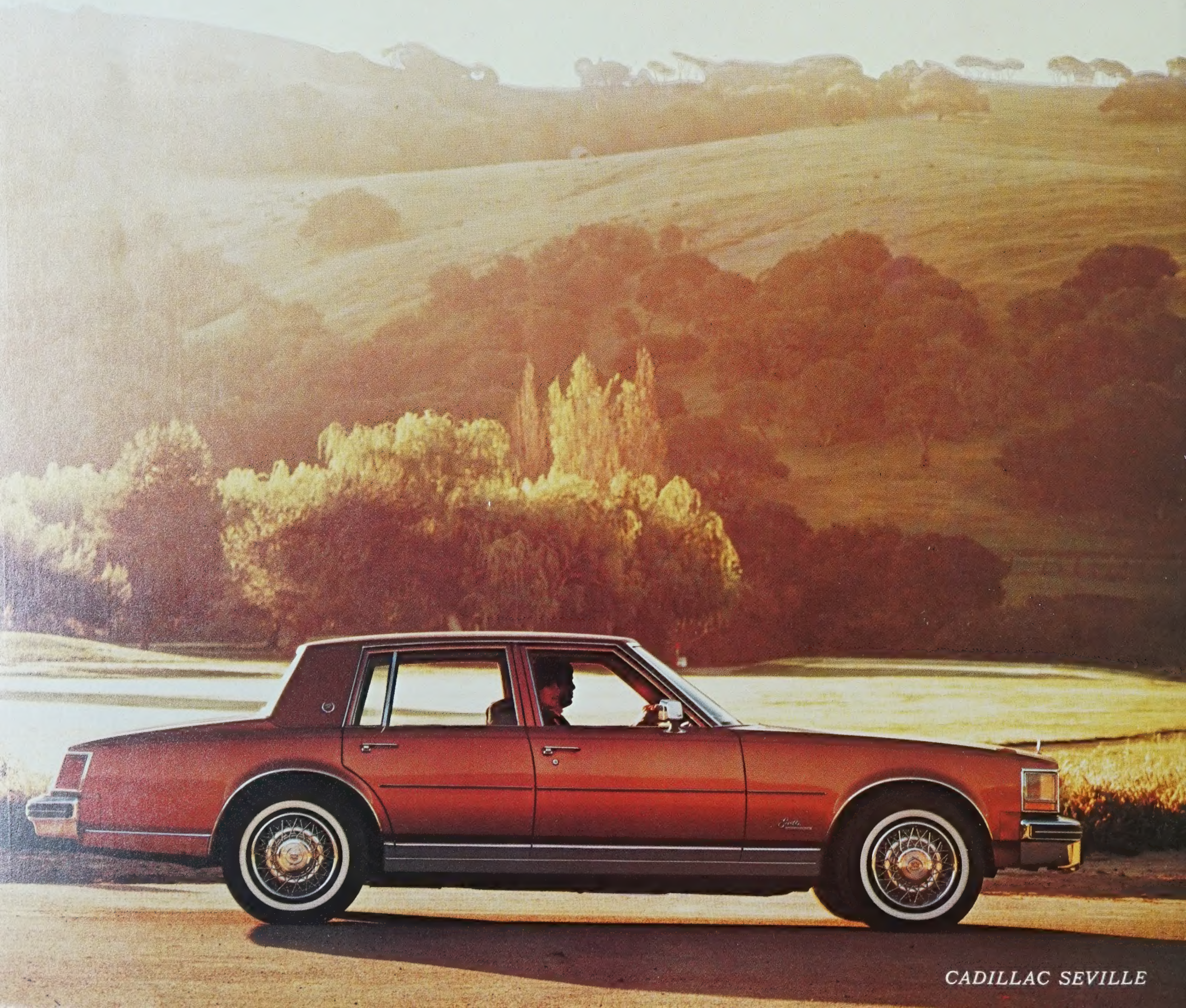
3044 West Grand Boulevard
Detroit, Michigan 48202

21 King Street, East
Toronto, Ontario M5C 1B3, Canada

1350 Sherbrooke Street, West
Montreal, Quebec H3G 1J1, Canada

Cover

BUICK RIVIERA



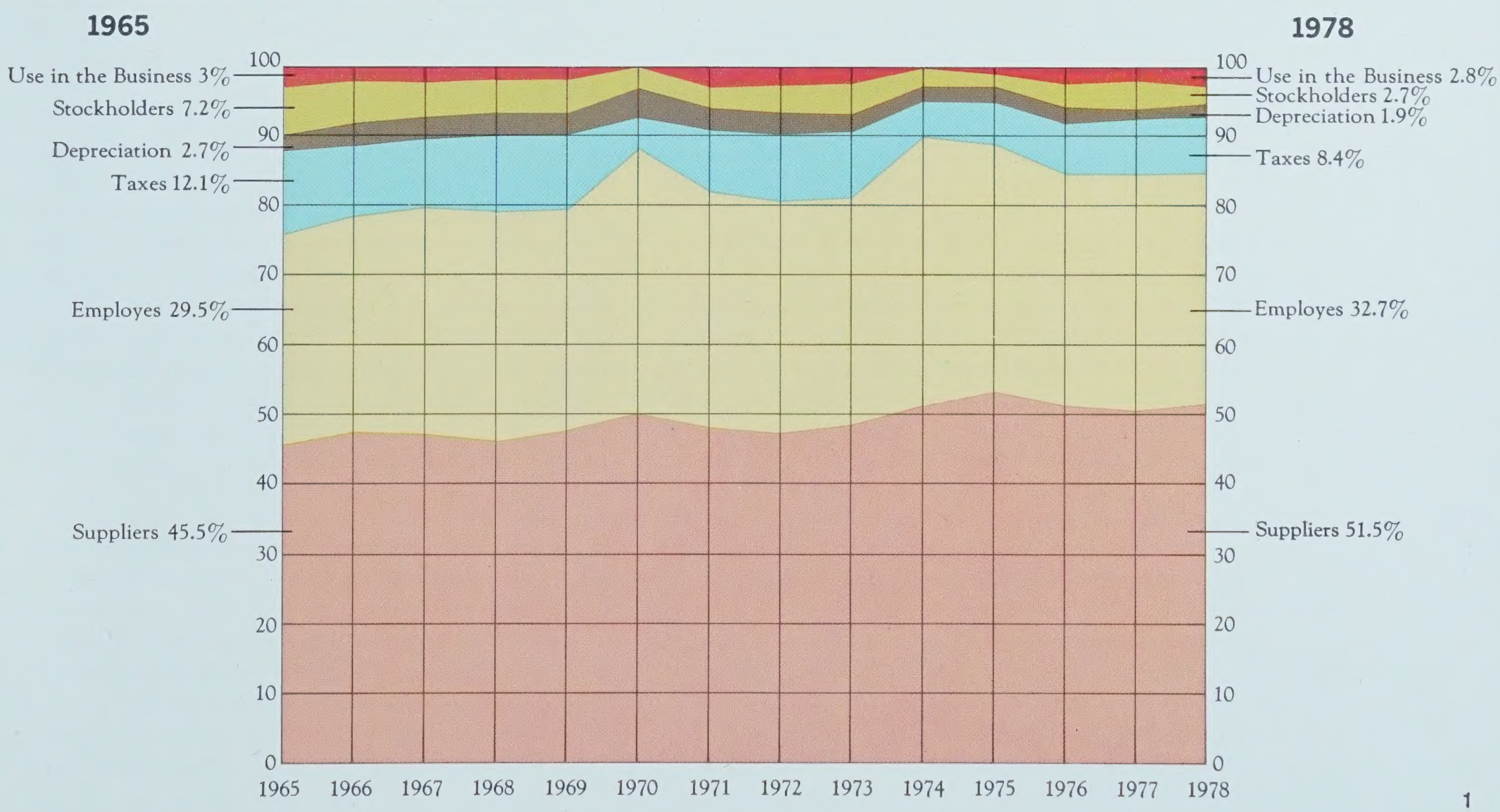
CADILLAC SEVILLE

Highlights

(Dollars in Millions Except Per Share Amounts)		1978	1977	1976
Sales of All Products	United States operations	$53,498.8	$47,551.0	$39,784.7
	Canadian operations	6,775.7	5,743.9	5,263.0
	Overseas operations	10,975.0	8,399.1	7,495.2
	Elimination of interarea sales	(8,028.4)	(6,732.7)	(5,361.9)
	Total	$63,221.1	$54,961.3	$47,181.0
	Automotive products	$58,985.5	$51,429.5	$44,106.3
	Nonautomotive products	$ 4,235.6	$ 3,531.8	$ 3,074.7
Worldwide Factory Sales of Cars and Trucks (units in thousands)		9,482	9,068	8,568
Net Income	Amount	$ 3,508.0	$ 3,337.5	$ 2,902.8
	As a percent of sales	5.5%	6.1%	6.2%
	As a percent of stockholders' equity	20.0%	21.2%	20.2%
	Earned per share of common stock	$12.24	$11.62	$10.08
	Dividends per share of common stock	$ 6.00	$ 6.80	$ 5.55
Taxes	United States, foreign and other income taxes	$ 3,088.5	$ 2,934.2	$ 2,567.8
	Other taxes (principally payroll and property taxes)	2,247.9	1,809.7	1,492.0
	Total	$ 5,336.4	$ 4,743.9	$ 4,059.8
	Taxes per share of common stock	$18.69	$16.58	$14.16
Investment as of December 31	Working capital	$ 7,948.9	$ 7,630.3	$ 7,556.6
	Stockholders' equity	$17,569.9	$15,766.9	$14,385.2
	Book value per share of common stock	$60.01	$53.82	$49.02
Number of Stockholders as of December 31 (in thousands)		1,268	1,245	1,251
Worldwide Employment (Including GMAC*)	Average number of employes (in thousands)	839	797	748
	Total payrolls	$17,195.5	$15,270.8	$12,908.5
	Total cost of an hour of labor—U.S. hourly employes	$13.75	$12.50	$11.20
Property	Real estate, plants and equipment—Expenditures	$ 2,737.8	$ 1,870.9	$ 998.9
	—Depreciation	$ 1,180.6	$ 974.0	$ 939.3
	Special tools—Expenditures	$ 1,826.7	$ 1,775.8	$ 1,308.4
	—Amortization	$ 1,855.7	$ 1,406.4	$ 1,296.9

*General Motors Acceptance Corporation

What Happened to the Revenue GM Received



Letter to Stockholders

February 14, 1979

For General Motors and the automobile industry, 1978 results once again affirmed that achievement is always accompanied by new challenge. Clearly, 1978 was a year of extraordinary achievement for General Motors—by many measures, the best year in our history. Just as clearly, 1979 will prove to be a year of extraordinary challenge.

In the United States, a continued favorable rate of expansion of the economy in 1978 resulted in back-to-back record years for the automotive industry. The performance of General Motors—which exceeded the overall performance of the industry—produced a third consecutive year in which dollar sales, net income, earnings per share, employment, and payrolls were all higher. On the other hand, dividends paid to stockholders and GM's profit margin were both lower than in 1977.

Just as surely as the results of 1978 demonstrated the strengths of the Corporation, they also emphasized the difficulty in striving to improve—or even to maintain—our profit margin. As we said a year ago, inflation endures as the most pressing problem we face—as a corporation and as a nation. It continues to play a major part in the escalation of costs which we have been unable to fully recover in the marketplace. The result was a further erosion of GM's profit margin: 5.5% in 1978, compared with 6.1% in 1977, 6.7% in 1973, and 10.3% in 1965. In constant dollars, 1978 income was lower than in the preceding year, although unit sales of cars and trucks increased by 4.6%, and dollar sales—in constant dollars—increased by 6.9%.

Inflation of dollars and deflation of confidence: these are equal perils to a sound economy. Nevertheless, we are encouraged by President Carter's initiatives to moderate inflationary pressures. We applaud the government's objectives of disciplining the rise in government spending, of reducing the Federal deficit, of moderating the growth in the money supply, and of curtailing unnecessary and excessively costly regulation.

While no reasonable person questions the need for a reasonable regulatory environment in a complex society, it is urgent that government regulatory programs be thoroughly and impartially assessed for their inflationary impact. Social and environmental standards which are determined without sufficient regard for their technological or economic feasibility are guaranteed to be inflationary. Such standards impose costs upon the consumer that outweigh their benefits, and they impose deadlines that preclude the use of more cost-effective alternatives. Ill-considered regulation is a debilitating cost burden this country cannot afford in the fight against inflation. Take, for example, the impending regulation of diesel engines in passenger cars and light trucks. These engines, by reducing petroleum consumption and thereby lessening our reliance on foreign oil, can contribute to an improved balance of payments. They can also help to provide a complete range of cars and trucks to meet transportation needs. It is short-sighted to point to *potential* disadvantages of diesels without also fully evaluating these demonstrated advantages. It would be a tragedy if America's use of automotive diesels were ruled out prematurely, arbitrarily, or on insufficient data.

Given time, the anti-inflation measures the President has identified—applied fairly and consistently—will reduce inflation. As the President has emphasized, this is a long-term proposition. We welcome and echo the Administration's warnings about the pitfalls of mandatory wage and price controls. The lessons of history are painfully clear. Such controls do not work. Ultimately, they only make matters worse.

Heartened therefore by this course in the fight against inflation, General Motors will comply with the Administration's voluntary price and wage standards. Certainly this calls for sacrifices—including those which you, the owners of the business, are already making. But we are confident—looking toward the 1979 negotiations with the unions that represent our hourly employes—that labor too will be prepared to comply with the President's program. Fortunately, our hourly employes are in a relatively favorable position with respect to inflation. We believe that recognition of this permits an approach which can lead to an equitable and reasonable settlement—within the standards and without any work stoppage.

We have no sympathy for those, in labor or business or government or the media, who say the President's anti-inflation program cannot work. Given a chance to work, it can—and it must. This is the attitude we have urged within General Motors, and this is the attitude we commend to the owners of General Motors. One of the greatest challenges in fighting inflation is to break through the negative psychology which it breeds. We need to answer the legion of doomsayers who receive so much attention in the media and who seem determined to talk us into recession. Repeated too often, prophecies of gloom could become self-fulfilling, a prospect that need not—indeed, must not—be allowed to happen.

Yet, there is no better answer to negative psychology than positive performance, and current economic concerns should not obscure GM's record of real achievement. Pacing the industry, General Motors delivered over 9.5 million cars and trucks worldwide during 1978, more than in any previous year in our history.

At the same time, GM continued to lead the industry in the dramatic redesign of the American automobile.

Added to our increasingly fuel-efficient fleet were GM's trimmer personal luxury cars for 1979. Our lineup of new-generation automobiles continued to elicit a favorable customer response. This was coupled with continuing brisk demand for trucks to propel GM to the best fourth quarter in our history. Meanwhile, preparations quickened for the April 1979 introduction of GM's redimensioned compact cars. These innovative front-wheel-drive cars will be GM's first new models for the Eighties and may well become the flagship of GM's fleet in the next decade.

No new-car program in General Motors history has been longer in preparation or represents so heavy an investment of capital and talent. And ours is just one part of a new-product program which is the most extensive and expensive in industrial history. GM's program alone, together with facility modernization and capacity expansion, required a record $4.6 billion in capital spending in 1978, compared with $3.6 billion in 1977. Our ongoing programs will require annual expenditures of more than $5 billion in 1979 and in the early 1980's, more than double what was spent in any year prior to 1977. Obviously, these programs will continue to require extensive reinvestment of earnings. Against this background, the lower dividends paid to our stockholders in 1978, compared with 1977, are understandable if nonetheless disappointing. The commitment of additional reinvested earnings will enable General Motors to continue to meet the requirements of the times and to build for the future.

Building for the future also requires a continuing review of all operations. This has led to decisions to terminate GM Argentina's automotive operations and to sell the Frigidaire appliance business. Automotive operations in Argentina were discontinued in late 1978 because of unfavorable economic conditions in that country. The proposed sale of GM's Frigidaire appliance business to White Consolidated Industries, Inc., announced in January 1979, opens the way to convert the former Frigidaire plants near Dayton to automotive operations for the assembly of light trucks and engines.

As GM and the auto industry continued to make important progress in energy conservation in products and plants during 1978, other significant developments affected the overall energy outlook. In the United States, energy legislation enacted by the Congress was by no means the comprehensive national policy which GM and others have urged—but it was a start. Also encouraging was the growing evidence of increasing potential for oil and gas supplies for the Eighties and Nineties. Then, at year's end, came the announcement by the Organization of Petroleum Exporting Countries of a 14.5% increase in the price of oil during 1979. This action, together with the disturbing recent developments in Iran, further demonstrates that, important as fuel conservation is for the short term, it is more important for the long term that the United States get on with the job of developing additional domestic energy resources, including alternative fuels. There comes a point when the country's transportation and energy needs can be better served by putting its billions into increased energy production rather than into mileage improvements in its vehicles.

Ranging beyond transportation, other activities of GM in the public interest also were in the spotlight in 1978. Two of the more noteworthy were the encouragement of cancer research and urban revitalization.

General Motors announced the establishment of three international prizes to be awarded annually for excellence in cancer research. Medals named in honor of Alfred P. Sloan, Jr., Charles F. Kettering, and Charles S. Mott will be accompanied by individual prizes of $100,000 to each recipient.

Working with other firms and government agencies, General Motors also initiated a multimillion-dollar program to revitalize a Detroit residential area near our world headquarters. The principal organizer of GM's community revitalization effort was Vice Chairman Richard L. Terrell. His commitment to these projects was a meaningful culmination of a distinguished 41-year GM career which closed with his retirement January 1, 1979.

In the realignment of executive responsibilities in conjunction with Mr. Terrell's retirement, the members of the Executive Committee—other than the Chairman of the Board—assumed new and broadened responsibilities and the number of operating groups was increased from six to ten. Earlier in the year, in recognition of the increasing internationalization of the industry and to implement the Corporation's worldwide strategy, GM Overseas Operations was reorganized and integrated more closely with North American activities. With the world as our marketplace, a strong worldwide GM team, challenging any and all competitors, will continue to meet the burgeoning demand for new vehicles.

In 1979, we are looking for new industry records of 15.5 million cars and trucks sold in the United States, and 39 million throughout the world. Those are the opportunities. And to you, the owners of our business, your management confidently pledges the utmost effort to take full advantage of them for General Motors.

Prepared and submitted by Order of the Board of Directors.

Chairman

President

Review of Operations

General Motors in 1978 sold more cars and trucks throughout the world than ever before in the Corporation's history. This was clear evidence of the high degree of customer acceptance of our products. Despite these record achievements, however, profitability—as measured by earnings in relation to sales—continued to decline as a result of the effects of inflation and the impact of government regulations.

Worldwide retail sales of over 9.5 million GM vehicles exceeded the 1977 record by more than 600,000 units, a 7% increase. GM set sales records for cars and trucks in the United States, Canada, and overseas. Of the estimated 38.3 million vehicles sold worldwide* in 1978, GM accounted for 25%.

U.S. Retail Sales Top 7 Million

Total new car and truck sales for the industry (including foreign manufacturers) in the United States exceeded 15.4 million units in 1978, nearly 4% above the 1977 record. GM dealers sold more than 7 million vehicles in the United States for the first time, setting records for both cars and trucks and accounting for 46% of U.S. sales.

Retail sales of more than 5.4 million GM passenger cars were 4.4% above 1977. Pontiac, Oldsmobile, Buick, and Cadillac each set divisional records, while Chevrolet established a record for combined car and truck sales.

Retail sales of GM trucks were almost 1.7 million units, or 12.9% over

*Estimated data exclude the Soviet Union, parts of Eastern Europe, and the People's Republic of China. Combined vehicle sales in these areas totaled approximately 4 million units in 1978.

PONTIAC FIREBIRD FORMULA

1977. Both Chevrolet and GMC Truck & Coach established divisional truck sales records for the second successive year.

These results again demonstrated the strong demand for GM's more fuel-efficient products. Each new wave of our redimensioned passenger cars has met with outstanding success in the marketplace. In 1975 we introduced the new Cadillac Seville and the Chevrolet Chevette. Next came the redesigned full-size cars for the 1977 model year followed by the new mid-size cars for 1978. To these fuel-savers were added our new 1979-model personal luxury cars—the Buick Riviera, Cadillac Eldorado, and Oldsmobile Toronado—and their acceptance was immediate and positive.

At the year's end, GM was completing the extensive preparations needed to manufacture its innovative front-wheel-drive compact cars which will be introduced in April. This will mark a significant further step in our continuing program to market more comfortable and more fuel-efficient private transportation.

Prices Within Standards

Meanwhile, GM continues to support President Carter's anti-inflation programs. In response to his anti-inflation efforts, GM told the President that General Motors will comply fully with the voluntary price standards which the Administration has developed. GM implemented price increases on the higher-performance, less fuel-efficient optional engines on December 4, averaging 0.5% per car, in an effort to encourage customers to purchase more fuel-efficient vehicles. On January 2, 1979, an overall 1.7% price increase was put into effect, principally on base models, in an effort to partially recover some of our escalating cost increases. These price increases were within the standards.

GM of Canada: Six Record Years in a Row

In Canada, industry-wide retail sales of combined cars and trucks reached a new high in 1978. Car sales of 992,000 units were slightly below 1977. Record truck sales of 376,000 units were 7% above the previous high set in 1977.

Combined sales of cars and trucks by GM dealers in Canada established a record for the sixth consecutive year. GM passenger car deliveries totaled 419,000 units, exceeding 1977 sales by 8%. Sales of 166,000 GM trucks were up 11% from 1977.

GM of Canada's percentage of Canadian car sales improved by 3.1 points over 1977 to 42.1%. GM's percentage of truck sales in Canada increased by 1.4 points to 44.3%.

Overseas Sales Remain Strong

Demand for General Motors vehicles overseas continued strong during 1978, resulting in a third consecutive record year. Retail sales of 1.9 million units (1,526,000 cars and 340,000 trucks) were up 9% from 1977.

Vehicle sales by all manufacturers outside the United States and Canada (excluding the Soviet Union, parts of Eastern Europe, and the People's Republic of China) increased by 1.2 million units to 21.6 million. GM accounted for about 8.8% of the industry total, compared with 8.5% in 1977.

Europe continued to be the leader for GM's overseas retail sales. European subsidiaries had combined retail sales of over 1.1 million cars and trucks, an increase of 4% over 1977.

In West Germany, Adam Opel AG continued its upward sales trend to reach a domestic record of 513,000 units, a 3% increase over 1977. Market acceptance of three new Opel models—the Senator and Commodore sedans and the Monza coupe—was exceptionally strong.

BUICK REGAL LIMITED Coupe

In the United Kingdom, Vauxhall Motors Limited showed marked improvement. Despite production stoppages due to strikes, an improving economy and a stronger model lineup resulted in sales of 180,000 Vauxhall cars and Bedford trucks, up 8% from 1977.

Retail sales of cars and trucks in Australia, New Zealand, and other nations in the Pacific region totaled 216,000 units, an overall 16% increase from 1977. GM-Holden's Limited in Australia had a 16% increase in sales, to 149,000 units, attributable to the introduction of new models and a generally improving economy.

In Latin America, GM sales also rose, helped by the continued strong performance of the Chevette and the Opala in Brazil. Retail sales of 344,000 GM cars and trucks in Latin America represented a 20% increase over 1977. GM do Brasil S.A. had record sales of 188,000 units, 19% ahead of 1977. Retail sales by subsidiaries in Chile, Uruguay, and Venezuela increased by 42%, 32%, and 23%, respectively.

GM de Mexico, S.A. de C.V. had retail sales of 52,000 units, a 50% increase over 1977. Improvement was due to a strengthening of the Mexican economy and increased customer acceptance of GM cars and trucks built there.

In August 1978, after a thorough review of the Argentine automotive market, GM announced that it would phase out vehicle manufacturing operations in Argentina and liquidate its local automotive subsidiary.

GM sales in the Middle East and Africa totaled 175,000 units, up 18%

CHEVROLET BEAUVILLE SPORTVAN

CHEVROLET 4WD FLEETSIDE Pickup

from 1977. Despite only a mild improvement in the economy, General Motors South African (Pty.) Limited sold 30,000 cars and trucks, up 7% from 1977, but well below the levels achieved in previous years.

Sales of GM North American-produced cars and trucks continued to improve substantially around the world. In 1978, retail sales of 200,000 North American vehicles were achieved by General Motors abroad, an increase of 28% over 1977. The largest sales gains were recorded in Europe and in the Mid-East. Smaller size and improved fuel economy, as well as more favorable exchange rates, are making North American-built vehicles increasingly attractive in Europe.

During 1978, GM announced plans for three new manufacturing operations in Europe and one component-assembly operation in Asia. Harrison Radiator Division and Delco-Remy Division will operate component plants in France, Fisher Body will manufacture seat belts in Northern Ireland, and Delco Electronics Division will assemble radio components in Singapore.

New Records for Power and Appliance Operations

Combined worldwide sales of General Motors power and appliance products also set a record during 1978 against strong competition, particularly in the United States.

Detroit Diesel Allison Division sold more than 141,000 diesel engines, a 19% increase over 1977. GM continues to be North America's largest producer of heavy-duty diesel engines. Sales of

CHEVROLET CAPRICE CLASSIC Sedan

heavy-duty automatic transmissions were at a new high for the eighth year in a row, increasing 30%.

Deliveries of U.S.-produced locomotives by Electro-Motive Division were up 27% over 1977, with record dollar sales reflecting growth in domestic rail freight traffic. Sales of locomotives by the Diesel Division of GM of Canada registered an upturn attributable to an improvement in export sales.

CHEVROLET CHEVETTE Hatchback Sedan

Sales of TEREX earth-moving equipment were up 3% worldwide, following a similar gain in 1977, as strong demand in the United States offset a slight softening elsewhere.

In the mass-transit area, a marketable Transit Information System was developed as a product of GM's Urban Transportation Laboratory project and a preliminary engineering contract was obtained for a "people mover" in downtown Detroit.

On January 31, 1979, GM and White Consolidated Industries, Inc., announced agreement in principle for White Consolidated to acquire the Frigidaire appliance business, exclusive of manufacturing facilities in Dayton. These will be converted to the assembly of light trucks and engines in plants to be operated by Chevrolet Motor Division. Completion of the sale is subject to negotiation of a definitive agreement and review by U.S. antitrust authorities.

Meeting Government Mandates

Despite significant improvement in the fuel economy of GM cars in the United States, the task still to be accomplished poses unprecedented technological challenges. The mandated 19 miles-per-gallon production-weighted corporate average fuel economy for 1979 is about a 60% improvement over the average 12 miles per gallon of the 1974 base year. However, that is less than half way to the 27.5 miles-per-gallon standard that GM must attain to meet the currently established 1985 requirements.

As fuel-economy requirements increase, emissions standards also are tightening. Passenger car exhaust emission limits, which were unchanged for the 1978 and 1979 model years, will be tightened in 1980 and again in 1981. The extent to which diesel engines may be used will figure prominently in GM's ability to provide customers with a wide range of transportation choices. Tighter standards on diesel engines for oxides of nitrogen and the proposed diesel particulate standards for 1981 and 1983 pose serious concerns. Compounding the

ELECTRO-MOTIVE GP38-2 Diesel Locomotives

problem is the fact that available technology to reduce NOx increases the particulate emission rate.

While we would have considerable difficulty meeting the proposed 1981 particulate level of 0.6 grams per mile, the proposed 1983 particulate standard of 0.2 grams per mile cannot be met with existing technology. We have been this route before; there is no way to predict or mandate invention. Meanwhile, light-duty trucks also are coming under increasingly stringent regulation. Diesel particulate emission standards will apply to them, and fuel economy standards, first applied to 1979-model light-duty trucks, will become stiffer for 1980 and beyond. To meet these requirements has become more difficult because heavier trucks are subject to the standards. For 1979, only those with a gross-vehicle-weight rating up to 6,000 pounds are affected, but in 1980 the rating level will increase to include all trucks up to 8,500 pounds.

GM is taking part in an industry-government voluntary program to improve the fuel economy of heavy trucks (over 10,000 pounds). GM 1979-model trucks with a full range of available fuel-efficient options have achieved a 33% improvement in fuel economy compared with 1974 models.

C-4 System Critical

The new C-4 (Computer Controlled Catalytic Converter) emissions control system is critical to GM's efforts to achieve high fuel economy and low emissions at the same time. This is an advanced closed-loop system which closely controls air-fuel ratio and includes a computer in the vehicle, an oxygen sensor in the exhaust, an electronically controlled carburetor or fuel injection system, and a catalyst capable of controlling all three regulated pollutants—hydrocarbons, carbon monoxide, and oxides of nitrogen. Without this system, meeting emission standards for 1981 would exact a significant fuel penalty at the very time that Federal fuel-economy requirements will increase sharply. GM is offering the C-4 system on increasing numbers of vehicles for sale in California as part of a program which will eventually lead to use of the system on GM vehicles nationwide.

Unprecedented Capital Expenditures

Capital expenditures by General Motors in 1978 were the highest reported for any manufacturing corpo-

GMC RTS Bus

ration in the world. Capital spending was a record $4.6 billion for new plant facilities, renovation of existing plants, and special tools to meet the demands of the marketplace and government requirements, surpassing 1977 spending (the prior record year) by nearly one billion dollars. Further, General Motors expects capital spending for its ongoing programs will require annual expenditures in excess of $5 billion in 1979 and beyond—a rate more than double the amount spent in any year prior to 1977.

The major portion of capital spending in 1978 was in the United States for product programs required to meet government standards and the demands of the marketplace, as well as for plant construction and modernization projects. In the United States, these projects included new assembly plants in Oklahoma City and in Shreveport, Louisiana (the one to build compact cars; the other, light-duty trucks) and new parts and components plants in Three Rivers, Michigan; Rochester, New York; Wichita Falls, Texas; and Athens, Alabama.

LITIGATION

General Motors, two GM dealers, American Motors Corporation, and Chrysler Corporation filed suit against the Federal Trade Commission in September 1978, challenging the FTC's use of "inquisitorial powers" to obtain information from the automobile industry without stating the scope of the investigation or alleging violations of law. GM cooperated with the FTC during the early stages of the investigation which was initiated in 1976. In July 1978, however, the FTC issued additional vast subpoenas. It is estimated that compliance with the General Motors subpoena alone would require review of nearly 200 million pages of records and would cost the Corporation in excess of $110 million to locate and produce the documents demanded.

When the complaint was filed challenging the investigation, the FTC moved to dismiss the case. In denying this motion, the Federal District Court in Detroit ruled in November 1978 and reiterated in December, that General Motors and the other plaintiffs should have the opportunity to prove their complaint against the FTC. The FTC has appealed this decision.

In another case, the U.S. Court of Appeals for the Sixth Circuit granted the Federal Government's petition for a rehearing of the Court's earlier ruling in May 1978. This ruling ordered termination of a Federal Grand Jury investigation of matters relating to an Internal Revenue Service audit in 1976 of GM's tax returns. In September 1978, the Court of Appeals decided that GM's original appeal had been "improvidently granted" and that the Court was without jurisdiction to hear it. The Corporation is seeking review by the United States Supreme Court.

TEREX 33-05B 30-Ton Capacity Off-Highway Rear Dump Hauler

People of GM

Employment and Payrolls at New Highs

Both worldwide employment and payrolls in 1978 were the highest in GM's history. Average worldwide employment totaled approximately 839,000 men and women, with payrolls amounting to $17.2 billion, including 14,000 employes of General Motors Acceptance Corporation whose payroll amounted to $243.0 million. Average worldwide employment in 1977 was 797,000 and payrolls totaled $15.3 billion. Included in the worldwide employment and payrolls for 1977 were 14,000 GMAC employes with a payroll of $227.4 million.

For the 1978 fourth quarter, worldwide employment averaged 876,000 and payrolls were $4.6 billion, compared with 846,000 and $4.0 billion in the fourth quarter of 1977.

Average U.S. hourly-rate employment in 1978 was 466,000 and payrolls totaled $10.3 billion, compared with 440,000 and $9.3 billion in 1977. Hourly labor costs, including benefits, averaged approximately $13.75 per hour worked, compared with about $12.50 in 1977.

Benefit Plan Contributions

GM's contributions for pension plans, health-care coverages, and other employe benefit programs in the U.S. totaled a record $3.4 billion in 1978, compared with the previous high of $3.2 billion in 1977. Of this total, pension plan contributions amounted to $1.2 billion, while the cost of providing health-care coverages reached $1.3 billion. The cost of other benefit programs, such as life insurance, sickness and accident insurance, Supplemental Unemployment Benefits, and the Savings-Stock Purchase Program, amounted to $0.9 billion in 1978.

Equal Employment Opportunity

General Motors has continued to make substantial progress in the employment of minorities and women. At year's end, the percentages of minorities and women employed by GM in both white-collar and blue-collar categories reached record highs. Minorities represented 20% of GM's total work force in

the U.S., including almost 12% of white-collar employes and over 22% of blue-collar employes. Women represented over 18% of GM's total work force in the U.S., including 22% of white-collar employes and over 17% of blue-collar employes.

ORGANIZATION CHANGES

Overseas Operations

To obtain improved operating efficiency and closer management coordination between GM's North American and overseas operations, the Board of Directors approved a major reorganization of General Motors Overseas Operations, effective April 1, 1978. Vice President Alexander A. Cunningham was designated Group Executive in Charge of the Overseas Group. Elected Vice Presidents, each having responsibility for a geographic area or major overseas facility, were: John F. Beck, Latin American Operations; John P. McCormack, Europe (excluding Adam Opel AG in Germany and Vauxhall Motors Limited in England), Mid-East, and Africa; Walter R. Price, Vauxhall Motors Limited; John Quick, Pacific Operations; and James F. Waters, Jr., Adam Opel AG.

New Staff Groups Formed

The Board of Directors approved the formation of four new staff groups and the appointment of four new Group Executives, effective November 6, 1978.

David C. Collier, Vice President and formerly General Manager of Buick Motor Division, was appointed Group Executive in Charge of the Finance Group.

Alex C. Mair, Vice President, was appointed Group Executive in Charge of the Technical Staffs Group. He had been General Manager of Pontiac Motor Division.

Paul D. Pender, Vice President, was appointed Group Executive in Charge of the Operating Staffs Group. He had been General Manager of Fisher Body Division.

David S. Potter, Vice President with responsibility for the Environmental Activities Staff, was also named Group Executive in Charge of the Public Affairs Group.

Board of Directors

We were saddened by the death on October 29, 1978, of Elis S. Hoglund, former Director and retired Vice President and Group Executive of GM's Canadian and Overseas Operations. Mr. Hoglund, a GM Director from 1961 until his retirement in 1963, spent 36 years with General Motors and played a principal role in the development of the Corporation's worldwide operations.

We were also saddened by the death on April 16, 1978, of General Lucius D. Clay, a former GM Director. General Clay, a Director from 1951 to 1967, was a member of the Board's Financial Policy, Finance, and Bonus and Salary Committees.

BUICK ELECTRA PARK AVENUE Sedan

Stockholders' Forums

To facilitate an exchange of views with its stockholders, General Motors initiated a series of Stockholders' Forums in the spring of 1978. More than 6,900 stockholders and their guests attended the ten Forums held in Tampa, Anaheim, Seattle, Columbus, Charlotte, Richmond, Cleveland, Milwaukee, St. Louis, and Tulsa.

At each Forum, the stockholders heard a report on the state of the business, viewed exhibits dealing with fuel economy, emissions control, and future concepts in transportation, and submitted written questions on subjects relevant to GM operations.

Following are a few of the stockholders' questions to which General Motors executives responded at the Forums:

Q. *Why has there been no split in GM stock in recent years?*

A. The advantages of a stock split are continually evaluated by the Board of Directors and are taken into account when deciding what, in its opinion, is in the best interests of the Corporation and its stockholders.

Q. *Why not lower executive salaries and increase dividends?*

A. The success of our business is tied closely to the ability and dedication of our management team. Because the demand for persons with high managerial talent is constantly growing, the Corporation must provide competitive salaries and proper incentives to maintain its managerial strength. In 1977, total salaries and bonus awards for GM's employe-officers were less than 1% of the total dividend declared and amounted to $0.05 per share of common stock.

Q. *What is GM doing to help stop the high rate of inflation?*

A. General Motors has pledged support of the President's anti-inflation program. We have accepted the Administration's challenge to decelerate all costs and price increases. General Motors believes the concept of voluntary wage and price standards, when coupled with the monetary and fiscal policies promised by the President, is a viable approach. It must also be emphasized that slowing inflation depends on the concerted efforts of government, business, and labor.

Q. *Can GM really meet the required 27.5 miles-per-gallon standard by 1985 and still build six-passenger cars?*

A. It will be very difficult to meet the Federal fuel-economy requirements while providing vehicles which will meet the needs of as many customers as possible, including the over five million families with six or more members. Much will depend on customer acceptance of our new smaller models and government actions on emissions from gasoline and diesel engines. The full- and mid-size cars which GM redesigned in 1977 and 1978 are expected to undergo another round of weight reduction before 1985 to further increase fuel economy. We are actively pursuing the use of lighter, high-strength materials. Another alternative is expanded use of the diesel engine, which offers a fuel economy advantage of about 25% compared with a gasoline engine of similar performance. Further use of the diesel engine, however, will depend on achieving the lower emission standards the government has mandated for 1980 and beyond as well as the government's proposed particulate emission standards.

Q. *What can stockholders do to help stem the tide of excessive government regulation?*
A. A certain amount of government regulation is necessary and beneficial, but if attention is directed toward a sensible rejection of wasteful and excessive government requirements, the entire American economy could benefit. GM encourages its stockholders to make their views known on regulatory matters which affect them as citizens and as owners of the business. Stockholders who are interested in receiving additional information on regulatory matters affecting GM should write to the Manager of Stockholder Relations, 3044 West Grand Boulevard, Detroit, Michigan 48202.

Q. *What is GM doing to meet competition from imports?*
A. GM cars are fully competitive with the imports in terms of reliability, durability, performance, price, quality, ease of maintenance, and corrosion protection. Our success in meeting competition from imports is indicated by customer acceptance of the Chevrolet Chevette which is outselling every foreign model. Chevette production capacity will be increased by 65% in early 1979 by conversion of GM Assembly Division's Lakewood Plant near Atlanta. In the spring of 1979, GM also will introduce four new front-wheel-drive compact cars which will achieve about 30% better fuel economy than the models they replace.

Q. *What's holding up production of an electric car?*
A. A breakthrough in battery technology is needed to increase battery life and energy storage per unit of battery weight in order to achieve acceptable performance and range at competitive cost. GM has targeted the mid-1980's for its first battery-powered production vehicle. This is likely to be a delivery van or a commuter car for urban use. In the meantime, GM has developed an electric delivery-type van for use by AT&T as part of a government-sponsored feasibility study on battery-powered urban vehicles. In addition, GM is currently testing the Electrovette, a modified Chevrolet Chevette, for urban use.

Q. *How does GM decide the amounts and recipients of its charitable contributions?*
A. General Motors and the General Motors Foundation make charitable contributions to colleges and universities, community funds, hospitals, and various local and national organizations. Over 85% of all contributions are made in cities where GM has major operations. Local contributions are recommended by GM management in the particular area, with the amounts determined by the size of the GM operation. The GM Committee for Educational Grants and Scholarships is responsible for reviewing recommendations for support of institutions of higher education.

Q. *Is pollution from automobiles really declining?*
A. Yes. One 1960-model car emitted as much hydrocarbon as nine 1979 models. The other two major automotive pollutants—carbon monoxide and oxides of nitrogen—have been reduced 82% and 51%, respectively, for current model cars compared with 1960 models. Also, atmospheric measurements made by independent government agencies in Los Angeles and New York City have shown a decline in pollution attributable to automobiles since 1969.

PONTIAC GRAND LE MANS Safari

Financial Review

GM Worldwide Factory Sales
(Units In Thousands)

	CARS		TRUCKS	
	1978	1977	1978	1977
U.S.	5,292	5,259	1,586	1,436
Canada	569	519	284	258
Overseas*	1,412	1,313	339	283
Total	7,273	7,091	2,209	1,977

*Includes units manufactured by Isuzu Motors Limited under contract for and marketed by General Motors.

Percentage of Total GM Dollar Sales

	1978	1977
U.S.	75%	77%
Canada	10	9
Overseas	15	14
Total	100%	100%
Automotive	93%	94%
Nonautomotive	7	6
Total	100%	100%

Percentage of Net Income Attributable to:

	1978	1977
U.S.	87%	89%
Canada	5	3
Overseas	8	8
Total	100%	100%
Automotive	96%	95%
Nonautomotive	4	5
Total	100%	100%

Factory, Dollar Sales

Worldwide factory sales of GM cars and trucks in 1978 totaled a record 9,482,000 units, 5% above the prior record year of 1977.

Worldwide dollar sales of GM products in 1978 were a record $63.2 billion, compared with $55.0 billion in 1977, the previous record year.

During 1978, worldwide price increases represented about 56% of the $8.2 billion increase in worldwide dollar sales. In spite of intensive cost-reduction efforts, cost increases continued to exceed price increases and resulted in reduced profit margins.

The table at the left shows the percentage contribution to GM's total worldwide dollar sales, before elimination of intercompany sales, by U.S., Canadian, and overseas operations. Automotive products accounted for 93% of total dollar sales.

Earnings

Net income in 1978 totaled $3,508.0 million and earnings on common stock were $12.24 per share, compared with the previous highs of $3,337.5 million and $11.62 per share, respectively, established in 1977.

Net income estimated to be attributable to U.S. operations in 1978, as shown in the table at the left, was 87% of the total. Net income estimated to be attributable to Canadian operations was 5% in 1978, while overseas operations in 1978 contributed an estimated 8% of total net income. Automotive products accounted for 96% of the total net income.

The $0.62 per share increase in earnings during 1978 over 1977 is more than accounted for by higher volume and a more favorable product mix (e.g., increased sales of optional equipment) amounting to about $2.00 per share. Partially offsetting these favorable factors were economic cost increases (such

OLDSMOBILE CUTLASS SALON Sedan

as labor, materials, and energy) which, due to competitive market conditions, were not fully recovered by price increases. Earnings were also adversely impacted by higher costs for special tools and facilities associated with new-model programs as well as provisions for the liquidation of GM's Argentine automotive operations and the recently announced discontinuance of appliance manufacturing operations at Frigidaire related to the sale of the Frigidaire business to White Consolidated Industries. In comparison, contrasting earnings per share for 1977 with 1976, the increase in earnings of $1.54 per share was more than accounted for by higher volume and improved product mix of about $3.00 per share. These favorable factors were partially offset by the impact of increased economic costs not fully recovered in product pricing.

Net income as a percent of sales dropped to 5.5% in 1978, compared with 6.1% in 1977. This decrease in profit margin primarily reflects competitive factors limiting GM's ability to recover cost increases by increases in product prices.

Financing and Insurance Operations

GM's financing and insurance operations, represented by General Motors Acceptance Corporation and its subsidiaries, reported a record consolidated net income for 1978 of $229.6 million, a 12% increase over 1977 income of $205.4 million. This substantial increase principally reflects higher levels of financing receivables and increased premiums written in all lines of the insurance business. These gains were partially offset by higher average interest rates worldwide on the borrowings required to support the increased level of financing receivables.

Dividends

The $6.00 per share dividend in 1978 is the second highest dividend in GM's history and is exceeded only by the $6.80 per share paid in 1977. The Corporation's policy is to distribute from current earnings such amounts as the outlook and the indicated capital needs of the business permit. In this regard, while the current outlook is favorable, a strong capital position must be maintained in order to meet the greatly increased capital expenditures forecast for the years ahead. These are significantly affected by the necessity to meet extensive government-mandated standards for safety, fuel economy, and emissions.

Taxes

General Motors' provision for U.S., foreign and other income taxes, as well as state and local taxes and applicable payroll taxes, totaled a record $5,336.4 million in 1978, surpassing by 12% the previous record of $4,743.9 million established in 1977.

Taxes represent the third largest cost element experienced by the Corporation, exceeded only by employe payrolls and payments made to our suppliers. The significance of GM's tax burden is illus-

GMC GENERAL

trated by comparing it with the level of dividends paid to stockholders. In 1978, GM's common stockholders received \$6.00 per share on their investment. During the same period, governments at all levels were paid taxes equivalent to more than \$18.50 per share.

The escalating burden of taxation, both foreign and domestic, imposed on business and industry by government at all levels continues to be a major concern of General Motors. Excessive taxes serve only to hamper progress toward achieving a balanced growth economy.

While GM commends the recent action by Congress reducing the Federal corporate tax rate in 1979 from 48% to 46%, there still exists a need to improve investment incentives, maintain price stability, and free the capital necessary to comply with the increasing number of government regulations.

Plants, Equipment, and Special Tools

Worldwide expenditures for plants and equipment totaled \$2,737.8 million in 1978, an increase of 46% over the 1977 amount. These increased expenditures provided for capacity expansion, modernization, plant replacements, and new-model programs to meet the needs for a more fuel-efficient fleet. Of these expenditures, approximately 86% were made in the United States, 3% in Canada and 11% overseas. In 1977, worldwide spending for plants and equipment totaled \$1,870.9 million.

Depreciation charged to income in 1978 was \$1,180.6 million, compared with \$974.0 million in 1977.

Expenditures for special tools were \$1,826.7 million in 1978 and \$1,775.8 million in 1977. Tool amortization amounted to \$1,855.7 million in 1978 and \$1,406.4 million in 1977.

Common Stockholders' Equity

The equity of the holders of General Motors common stock is represented by common stock, capital surplus, and net income retained for use in the business. This amounted to \$17,286.3 million at the end of 1978, compared with \$15,483.3

million at the end of 1977. Book value per share of GM common stock increased to $60.01 at the end of 1978, from $53.82 at the end of 1977. Net income as a percent of stockholders' equity was 20.0% in 1978, compared with 21.2% in 1977.

Working Capital

Working capital at December 31, 1978, totaled $7,948.9 million, an increase of $318.6 million over the $7,630.3 million at December 31, 1977. The increase in 1978 is due primarily to the $1,782.5 million excess of net income over dividends paid to stockholders, partially offset by the $1,402.7 million increase in net property. A statement setting forth the change in working capital by element appears on page 22.

Fourth Quarter Results

The fourth quarter of 1978 established new records for unit and dollar sales, net income, and earnings per share of common stock. The increase in earnings of $0.25 per share in the fourth quarter of 1978 over the comparable 1977 period resulted from increased unit volume and an improved mix of products sold, partially offset by other charges.

Fourth Quarter	1978	1977
Worldwide Factory Sales (in thousands)	2,511	2,385
Dollar Sales (in millions)	$17,744.5	$15,101.0
Net Income		
Amount (in millions)	$1,004.2	$935.5
As % of Sales	5.7%	6.2%
Earnings Per Share	$3.51	$3.26
Dividends Per Share	$2.50	$3.25
Worldwide Employment (in thousands)	876	846
Worldwide Payrolls (in millions)	$4,649	$4,049
U.S. Hourly-Rate Employment (in thousands)	497	483

CADILLAC ELDORADO

THE IMPACT OF INFLATION ON ACCOUNTING DATA

In recent years, the accounting profession has given a great deal of consideration to the question of reporting the impact of inflation on accounting data.

The objective of financial statements, and the primary purpose of accounting, is to furnish, to the fullest extent practicable, objective, quantifiable summaries of the results of financial transactions to those who need or wish to judge management's ability to manage. The data are prepared by management and independently verified by the independent public accountants.

The present accounting system in general use in the United States and the financial statements prepared by major companies from that system were never intended to be measures of relative economic value, but instead are basically a history of transactions which have occurred and by which current and potential investors and creditors can evaluate their expectations. There are many subjective, analytical, and economic factors which must be taken into consideration when evaluating a company. Those factors cannot be quantified objectively. Just as the financial statements cannot present in reasonable, objective, quantifiable form *all* of the data necessary to evaluate a business, they also should not be expected to furnish all the data needed to evaluate the impact of inflation on a company.

Financial reporting is, of necessity, stated in dollars. It is generally recognized that the purchasing power of a dollar has deteriorated in recent years and, accordingly, the costs of raw materials and other items as well as wage rates have increased and can be expected to increase further in the future to compensate for the decline. It is not as generally recognized, however, that profit dollars also are subject to the same degree of reduction in purchasing power. Far too much attention is given

General Price Level Adjustment for Inflation ($ in Millions Except Per Share Amounts)

	1978	1977	1976	1975	1974	Base Year 1973
Sales, as reported	$63,221.1	$54,961.3	$47,181.0	$35,724.9	$31,549.5	$35,798.3
Percent Increase (Decrease) over 1973	77%	54%	32%	—	(12%)	—
Sales in constant dollars*	43,086.2	40,305.0	36,831.6	29,497.4	28,430.9	35,798.3
Percent Increase (Decrease) over 1973	20%	13%	3%	(18%)	(21%)	—
Net income, as reported	3,508.0	3,337.5	2,902.8	1,253.1	950.1	2,398.1
Percent Increase (Decrease) over 1973	46%	39%	21%	(48%)	(60%)	—
Net income in constant dollars*	2,390.8	2,447.5	2,266.1	1,034.7	856.2	2,398.1
Percent Increase (Decrease) over 1973	—	2%	(6%)	(57%)	(64%)	—
Profit margin, as reported	5.5%	6.1%	6.2%	3.5%	3.0%	6.7%
Earnings per share—($ per share)						
As reported	12.24	11.62	10.08	4.32	3.27	8.34
Constant dollars*	8.34	8.51	7.86	3.56	2.95	8.34

*Adjustment to constant dollar basis has been determined by applying the Consumer Price Index to the data for 1974 through 1978 with 1973 as the base year.

to the absolute level of profits rather than the relation of profits to other factors in the business and to the general price level. For example, as shown in the accompanying table, simply adjusting the annual amount of sales and net income to a constant 1973 dollar basis, using the Consumer Price Index, would demonstrate that constant dollar profits have not increased in recent years in line with the changes in sales volume. Expressed another way, net income, in constant dollars, has only held about even with 1973 even though sales, in constant dollars, have increased by 13% in 1977 and 20% in 1978, respectively, over 1973. The result has been a further erosion of GM's profit margin from 6.7% in 1973 to 5.5% in 1978.

PONTIAC BONNEVILLE BROUGHAM Sedan

Responsibilities for Financial Statements

The following financial statements of General Motors Corporation and Consolidated Subsidiaries were prepared by the management which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on judgments of management.

Management is further responsible for maintaining a system of internal controls, including internal accounting controls, that contains organizational arrangements that provide an appropriate division of responsibility and is designed to assure that the books and records reflect the transactions of the companies and that its established policies and procedures are carefully followed. The system is constantly reviewed for its effectiveness and is augmented by written policies and guidelines, a strong program of internal audit, and the careful selection and training of qualified personnel.

Deloitte Haskins & Sells, independent certified public accountants, are engaged to examine the financial statements of General Motors Corporation and its subsidiaries and issue reports thereon. Their examination is conducted in accordance with generally accepted auditing standards and includes a review of internal controls and a test of transactions. The Accountants' Report appears on page 27.

The Board of Directors, through the Audit Committee of the Board, is responsible for assuring that management fulfills its responsibilities in the preparation of the financial statements and for engaging the independent public accountants with whom the Committee reviews the scope of the audits and the accounting principles to be applied in financial reporting. The Audit Committee meets regularly (separately and jointly) with the independent public accountants, representatives of management, and the internal auditors to review the activities of each and to ensure that each is properly discharging its responsibilities. To ensure complete independence, Deloitte Haskins & Sells have full and free access to meet with the Audit Committee, without management representatives present, to discuss the results of their examination and their opinions on the adequacy of internal controls and the quality of financial reporting.

Chairman

Chief Financial Officer

Statement of Consolidated Income

For The Years Ended December 31, 1978 and 1977
(Dollars in Millions Except Per Share Amounts)

	1978	1977
Net Sales	$63,221.1	$54,961.3
Equity in earnings of nonconsolidated subsidiaries and associates (dividends received amounted to $123.7 in 1978 and $110.3 in 1977)	253.0	222.1
Other income less income deductions—net (Note 2)	(141.4)	54.9
Total	63,332.7	55,238.3
Costs and Expenses		
Cost of sales and other operating charges, exclusive of items listed below	51,275.7	44,427.9
Selling, general and administrative expenses	2,255.8	1,997.3
Depreciation of real estate, plants and equipment	1,180.6	974.0
Amortization of special tools	1,855.7	1,406.4
Provision for the Bonus Plan (Note 3)	168.4	161.0
United States, foreign and other income taxes (Note 5)	3,088.5	2,934.2
Total	59,824.7	51,900.8
Net Income	3,508.0	3,337.5
Dividends on preferred stocks	12.9	12.9
Earned on Common Stock	$ 3,495.1	$ 3,324.6
Average number of shares of common stock outstanding (in millions)	285.5	286.1
Earned Per Share of Common Stock (Note 6)	$12.24	$11.62

Reference should be made to notes on pages 23 through 27.
Certain amounts for 1977 have been reclassified to conform with classifications for 1978.

Consolidated Balance Sheet

December 31, 1978 and 1977
(Dollars in Millions)

Assets	**1978**	**1977**
Current Assets		
Cash	$ 177.3	$ 293.4
United States Government and other marketable securities and time deposits—at cost, which approximates market:		
Held for payment of income taxes	791.3	715.3
Other	3,086.2	2,231.3
Accounts and notes receivable (Note 7)	5,638.7	4,681.1
Inventories	7,576.7	7,175.7
Prepaid expenses	729.3	860.4
Total Current Assets	17,999.5	15,957.2
Investments and Miscellaneous Assets (Note 8)	2,812.1	2,351.7
Common Stock Held for the Incentive Program (Note 3)	181.1	146.5
Property		
Real estate, plants and equipment (Note 10)	22,052.0	19,860.9
Less accumulated depreciation (Note 10)	13,438.8	12,679.4
Net real estate, plants and equipment	8,613.2	7,181.5
Special tools—less amortization	992.4	1,021.4
Total Property	9,605.6	8,202.9
Total Assets	$30,598.3	$26,658.3

Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts, drafts and loans payable	$ 4,612.4	$ 3,719.1
United States, foreign and other income taxes payable	944.8	887.5
Accrued liabilities	4,493.4	3,720.3
Total Current Liabilities	10,050.6	8,326.9
Long-Term Debt—less unamortized discount (Note 11)	978.9	1,068.2
Other Liabilities	1,384.4	1,023.5
Deferred Investment Tax Credits	519.9	368.2
Other Deferred Credits	94.6	104.6
Stockholders' Equity (Notes 3 and 12)		
Preferred stock ($5.00 series, $183.6; $3.75 series, $100.0)	283.6	283.6
Common stock	480.1	479.5
Capital surplus (principally additional paid-in capital)	792.0	772.1
Net income retained for use in the business	16,014.2	14,231.7
Total Stockholders' Equity	17,569.9	15,766.9
Total Liabilities and Stockholders' Equity	$30,598.3	$26,658.3

Reference should be made to notes on pages 23 through 27.

Statement of Changes in Consolidated Financial Position

For The Years Ended December 31, 1978 and 1977
(Dollars in Millions)

	1978	1977
Source of Funds		
Net income	$3,508.0	$3,337.5
Depreciation of real estate, plants and equipment	1,180.6	974.0
Amortization of special tools	1,855.7	1,406.4
Deferred income taxes, undistributed earnings of nonconsolidated subsidiaries and associates, etc.—net	(64.6)	(157.9)
Total current operations	6,479.7	5,560.0
Proceeds from issuance of long-term debt	111.9	130.7
Proceeds from disposals of property—net	125.5	110.7
Proceeds from sale of newly issued common stock	20.5	1.9
Other—net	273.8	120.8
Total	7,011.4	5,924.1
Application of Funds		
Dividends paid to stockholders	1,725.5	1,957.7
Expenditures for real estate, plants and equipment	2,737.8	1,870.9
Expenditures for special tools	1,826.7	1,775.8
Investments in nonconsolidated subsidiaries and associates	201.6	139.5
Retirements of long-term debt	201.2	106.5
Total	6,692.8	5,850.4
Increase in working capital	318.6	73.7
Working capital at beginning of the year	7,630.3	7,556.6
Working capital at end of the year	$7,948.9	$7,630.3
Increase (Decrease) in Working Capital by Element		
Cash, marketable securities and time deposits	$ 814.8	($1,384.9)
Accounts and notes receivable	957.6	722.0
Inventories	401.0	847.9
Prepaid expenses	(131.1)	299.6
Accounts, drafts and loans payable	(893.3)	(651.7)
United States, foreign and other income taxes payable	(57.3)	764.0
Accrued liabilities	(773.1)	(523.2)
Increase in working capital	$ 318.6	$ 73.7

Reference should be made to notes on pages 23 through 27.

Note 1. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all domestic and foreign subsidiaries which are more than 50% owned and engaged principally in manufacturing or wholesale marketing of General Motors products. General Motors' share of earnings or losses of nonconsolidated subsidiaries and of associates in which at least 20% of the voting securities is owned is generally included in consolidated income under the equity method of accounting. Intercompany items and transactions between companies included in the consolidation are eliminated and unrealized intercompany profits on sales to nonconsolidated subsidiaries and to associates are deferred.

Income Taxes

Investment tax credits are deducted in determining taxes estimated to be payable currently and are deferred and amortized over the lives of the related assets. The tax effects of timing differences between pretax accounting income and taxable income (principally related to depreciation, sales and product allowances, undistributed earnings of subsidiaries and associates, and benefit plans expense) are deferred, except that the tax effects of certain expenses charged to income prior to 1968 have not been deferred but are recognized in income taxes provided at the time such expenses become allowable deductions for tax purposes. Provisions are made for estimated United States and foreign taxes, less available tax credits and deductions, which may be incurred on remittance of the Corporation's share of subsidiaries' and associates' undistributed earnings included in the consolidated financial statements.

Inventories

Inventories are stated generally at cost, which is not in excess of market. The cost of substantially all domestic inventories was determined by the last-in, first-out (LIFO) method, which was adopted in 1976. If the first-in, first-out (FIFO) method of inventory valuation had been used by the Corporation for U.S. inventories, it is estimated they would be $1,097.7 million higher at December 31, 1978, compared with $697.3 million higher at December 31, 1977. The cost of inventories outside the United States was determined generally by the FIFO or the average cost method.

Property, Depreciation and Amortization

Property is stated at cost. Maintenance, repairs, rearrangement expenses, and renewals and betterments which do not enhance the value or increase the basic productive capacity of the assets are charged to costs and expenses as incurred.

Depreciation is provided on groups of property using, with minor exceptions, an accelerated method which accumulates depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated lives of the property. The annual group rates of depreciation are as follows:

Classification of Property	*Annual Group Rates*
Land Improvements	5%
Buildings	3½%
Machinery and equipment	8⅓% (Average)
Furniture and office equipment	6% (Average)

Expenditures for special tools are amortized, with the amortization applied directly to the asset account, over short periods of time because the utility value of the tools is radically affected by frequent changes in the design of the functional components and appearance of the product. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

Pension Program

The Corporation and its subsidiaries have a number of pension plans covering substantially all employes. Benefits under the plans are generally related to an employe's length of service, wages and salaries, and, where applicable, contributions. The costs of these plans are determined on the basis of actuarial cost methods and include amortization of prior service cost over periods not exceeding 30 years. With the exception of certain overseas subsidiaries, pension costs accrued are funded.

Product Related Expenses

Expenditures for advertising and sales promotion and for other product related expenses are charged to costs and expenses as incurred; provisions for estimated costs related to product warranty are made at the time the products are sold.

Expenditures for research and development are charged to expenses as incurred and amounted to $1,633.1 million in 1978 and $1,451.4 million in 1977.

Foreign Exchange

All exchange and translation activity is included in cost of sales and amounted to a gain of $62.7 million in 1978 and a loss of $47.6 million in 1977.

Note 2. Other Income Less Income Deductions (Dollars in Millions)

	1978	1977
Other income:		
Interest income	$357.5	$310.3
Other	67.2	54.2
Income deductions:		
Interest on long-term debt	(90.0)	(86.2)
Other interest	(265.9)	(195.5)
Other	(210.2)[1]	(27.9)
Net	($141.4)	$ 54.9

[1]Principally provision for cost of liquidation of Argentine automotive operations and discontinuance of appliance manufacturing at Frigidaire.

Note 3. Incentive Program

The Incentive Program consists of the General Motors Bonus Plan, first approved by stockholders in 1918, and the General Motors Stock Option Plans, adopted in 1957 and 1977. The By-Laws provide that the Plans shall be presented for action at a stockholders' meeting at least once in every five years. The Incentive Program was last approved by stockholders at the 1977 Annual Meeting.

The Corporation maintains a reserve for purposes of the Bonus Plan to which may be credited each year an amount which the independent public accountants of the Corporation determine to be 8% of the net earnings which exceed 7% but not 15% of net capital, plus 5% of the net earnings which exceed 15% of net capital, but not in excess of the amount paid out as dividends on the common stock during the year. However, for any year the Bonus and Salary Committee may direct that a lesser amount be credited. Bonus awards under the Bonus Plan and such other amounts arising out of the operation of the Incentive Program as the Committee may determine are charged to the reserve.

For the year 1978, the Bonus and Salary Committee directed a credit to the Reserve for the Bonus Plan of $168.4 million (the maximum permitted under the Bonus Plan formula as determined by the independent public accountants) as set forth in the following table:

(Dollars in Millions Except Per Share Amount)	
Computation of Net Capital	
Stockholders' equity and long-term debt of General Motors Corporation at December 31, 1977	$16,478.4
Add proportionate allowance for changes during 1978 in capital stock, capital surplus and long-term debt—net	—
Net capital (as defined in the Bonus Plan)	$16,478.4
Computation of Net Earnings	
Net income for 1978	$ 3,508.0
Add provision for Bonus Plan	168.4
Add interest and discount on long-term debt	55.2
Deduct loss of rights to prior years' bonus awards and contingent credits included in income	.5
Deduct prior unawarded bonus reserve restored to income	1.3
Net earnings (as defined in the Bonus Plan)	3,729.8
Deduct 7% of net capital (equivalent to $3.81 per share of common stock)	1,153.5
Net earnings for bonus credit calculation	$ 2,576.3
Maximum Amount Which Could be Credited to Reserve	
8% of the net earnings between 7% and 15% of net capital	$ 105.5
5% of the net earnings which exceed 15% of net capital	62.9
Total amount available in the reserve for awards under the Bonus Plan	$ 168.4

As indicated in the preceding table, the total unawarded reserve carried forward from 1977 in the amount of $1.3 million was, in accordance with action taken by the Bonus and Salary Committee, restored to income in 1978, but was not included in net earnings for that year in determining the provision for the Bonus Plan. As a result, the total amount available for distribution will be the aforementioned $168.4 million. Subject to final determination, the Committee has tentatively directed that the total of individual awards shall approximate the amount of the credit to the reserve related to 1978. As a result of tentative determinations of awards by the Committee, the amount provided was transferred to current liabilities and other liabilities at December 31, 1978.

If participants in the Bonus and Stock Option Plans fail to meet conditions precedent to receiving undelivered instalments of bonus awards (and contingent credits related to the Stock Option Plan prior to 1977), the amount of any such instalments is credited to income. Upon the exercise of stock options, any related contingent credits are proportionately reduced and the amount of the reduction is credited to income.

Changes during 1978 in the status of options granted under the Stock Option Plans are shown in the following table. The option prices are 100% of the average of the highest and lowest sales prices of General Motors common stock on the dates the options were granted as reported (1) on the New York Stock Exchange for options granted prior to 1976, and (2) on the Composite Tape of transactions on all major exchanges and non-exchange markets in the U.S. for options granted in 1976 and subsequent years. The options outstanding at December 31, 1978 expire ten years from date of grant. All options are subject to earlier termination under certain conditions.

The Corporation intends to deliver newly issued stock upon the exercise of any of the outstanding options. The maximum number of shares for which additional options might be granted under the Plan was 2,211,335 at January 1, 1978 and 1,904,325 at December 31, 1978.

		Shares Under Option				
			Changes During Year			
Year Granted	Option Price	Jan. 1, 1978	Granted	Exercised	Terminated	Dec. 31, 1978
1973	$73.38	175,614	—	—	41,508	134,106
1974	50.00	215,398	—	3,042	15,570	196,786
1976	65.19	139,308	—	—	9,522	129,786
1977	66.57	288,665	—	—	8,745	279,920
1978	63.75	—	316,060	—	305	315,755
Total		818,985	316,060	3,042	75,650	1,056,353

Common stock held for the Incentive Program is exclusively for payment of liabilities under the Incentive Program and is stated substantially at cost.

	1978		1977	
(Dollars in Millions)	Shares	Amount	Shares	Amount
Balance at Jan. 1	2,136,633	$146.5	1,457,629	$ 99.6
Acquired during the year	1,338,698	81.6	1,186,731	81.9
Delivered to participants	(687,591)	(47.0)	(507,727)	(35.0)
Balance at Dec. 31	2,787,740	$181.1	2,136,633	$146.5

Note 4. Pension Program

The total pension expense of the Corporation and its consolidated subsidiaries amounted to $1,326.7 million in 1978 and $1,207.7 million in 1977. In the United States, the market value of trusteed pension funds totaled $7,143.8 million, and assets held under the insured part of the salaried employes' program totaled $2,290.3 million at December 31, 1978.

The actuarially computed value of vested benefits of all plans exceeded the total of pension funds, at market, and balance sheet accruals as of December 31, 1978 by about $3.9 billion. This amount represents the unfunded portion of the actuarially computed present value of pension benefits to which employes are entitled based on service as of December 31, 1978, and is calculated as if all employes were to terminate service as of that date. This figure is in excess of the estimated liability for benefits guaranteed under the Employee Retirement Income Security Act (ERISA) in the event of plan termination.

Notes to Financial Statements (continued)

Note 5. United States, Foreign and Other Income Taxes (Dollars in Millions)

	1978	1977
Taxes estimated to be payable currently (1):		
United States Federal	$2,259.3	$2,468.3
Foreign	511.0	430.3
Other	300.5	292.9
Total	3,070.8	3,191.5
Taxes deferred—net:		
United States Federal	(159.3)	(231.7)
Foreign	41.3	(94.9)
Other	(16.0)	(12.7)
Total	(134.0)	(339.3)
Investment tax credits deferred—net:		
United States Federal	149.7	77.3
Foreign	2.0	4.7
Total	151.7	82.0
Total	$3,088.5	$2,934.2

(1) Investment tax credits deducted in determining taxes estimated to be payable currently amounted to $293.7 million in 1978 and $170.8 million in 1977.

Note 6. Earnings Per Share

Earnings per share of common stock are based on the average number of shares outstanding during each year. The effect on earnings per share resulting from the assumed exercise of outstanding options and delivery of bonus awards and contingent credits under the Incentive Program is not material.

Note 7. Accounts and Notes Receivable (Dollars in Millions)

	1978	1977
GMAC and subsidiaries (relating to current wholesale financing of sales of GM products, etc.)	$2,893.5	$2,496.6
Other trade and sundry receivables (less allowances)	2,745.2	2,184.5
Total	$5,638.7	$4,681.1

Note 8. Investments and Miscellaneous Assets (Dollars in Millions)

	1978	1977
Nonconsolidated subsidiaries:		
GMAC and subsidiaries (Note 9)	$2,005.8	$1,688.2
Dealerships (retail companies)	113.5	110.4
Other domestic and foreign subsidiaries	60.9	53.8
Associates (interests in overseas companies)	95.6	92.6
Other investments and miscellaneous assets—at cost (less allowances)	536.3	406.7
Total	$2,812.1	$2,351.7

Note 9. General Motors Acceptance Corporation and Subsidiaries Condensed Consolidated Balance Sheet (Dollars in Millions)

	1978	1977
Cash	$ 484.5	$ 342.3
Marketable Securities (market value, 1978—$579.4; 1977—$574.6)	552.5	532.7
Finance Receivables (including instalments maturing after one year: 1978—$10,343.0; 1977—$8,150.3; less unearned income: 1978—$1,977.8; 1977—$1,530.8; and allowance for financing losses: 1978—$216.9; 1977—$177.6)	25,622.7	22,582.6
Insurance Receivables	45.0	36.8
Unamortized Debt Expense	42.2	41.3
Other Assets	156.5	105.0
Total Assets	$26,903.4	$23,640.7
Notes, Loans and Debentures Payable Within One Year (less unamortized discount)	$12,058.4	$10,480.0
Accounts Payable and Other Liabilities		
General Motors Corporation and affiliated companies	2,893.5	2,496.6
Other	1,105.8	899.2
Total Accounts Payable and Other Liabilities	3,999.3	3,395.8
Notes, Loans and Debentures Payable After One Year (maturing prior to 2009—less unamortized discount)	7,165.3	6,602.1
Subordinated Indebtedness Payable After One Year (maturing prior to 1998—less unamortized discount)	1,674.6	1,474.6
Total Liabilities	24,897.6	21,952.5
Stockholder's Equity		
Preferred stock, $100 par value (authorized and outstanding, 1,100,000 shares):		
6% cumulative	75.0	75.0
7¼% cumulative	35.0	35.0
Common stock, $100 par value (authorized and outstanding, 1978—9,650,000 shares; 1977—7,650,000 shares)	965.0	765.0
Net income retained for use in the business:		
Balance at beginning of the year	813.2	709.8
Net income	229.6	205.4
Total	1,042.8	915.2
Cash dividends	112.0	102.0
Balance at end of the year	930.8	813.2
Total Stockholder's Equity	2,005.8	1,688.2
Total Liabilities and Stockholder's Equity	$26,903.4	$23,640.7

Note 10. Real Estate, Plants and Equipment and Accumulated Depreciation (Dollars in Millions)

	1978	1977
Real estate, plants and equipment:		
Land	$ 268.0	$ 255.7
Land improvements	719.3	646.9
Leasehold improvements—less amortization	22.3	23.9
Buildings	4,975.4	4,643.3
Machinery and equipment	14,434.1	13,149.5
Furniture and office equipment	317.9	286.7
Construction in progress	1,315.0	854.9
Total	$22,052.0	$19,860.9
Accumulated depreciation:		
Land improvements	$ 430.6	$ 406.5
Buildings	2,964.9	2,837.6
Machinery and equipment	9,832.3	9,242.6
Furniture and office equipment	161.7	143.4
Extraordinary obsolescence	49.3	49.3
Total	$13,438.8	$12,679.4

Note 11. Long-Term Debt (Excluding Current Portion) (Dollars in Millions)

		1978	1977
GM—U.S. dollars:			
8.05% Notes	1985	$300.0	$ 300.0
8⅝% Debentures	2005	300.0	300.0
Other	1980-2000	77.7	108.9
Consolidated subsidiaries:			
United States dollars	1980-86	231.9	256.0
British pounds	1987-92	30.6	59.5
Australian dollars	1980-83	34.5	34.2
Other currencies	1980-2004	10.0	16.7
Total		984.7	1,075.3
Less unamortized discount		5.8	7.1
Total		$978.9	$1,068.2

Maturities of long-term debt at December 31, 1978 for each of the five years through 1983 are (in millions): 1979—$137.8 (included in current liabilities); 1980—$53.5; 1981—$75.4; 1982—$72.2; and 1983—$50.8.

Note 12. Stockholders' Equity (Dollars in Millions Except Per Share Amounts)

	1978	1977
Capital Stock:		
Preferred Stock, without par value (authorized, 6,000,000 shares), no change during the year:		
$5.00 series, stated value $100 per share, redeemable at $120 per share (issued, 1,875,366 shares; in treasury, 39,722 shares; outstanding, 1,835,644 shares)	$ 183.6	$ 183.6
$3.75 series, stated value $100 per share, redeemable at $100 per share (issued and outstanding, 1,000,000 shares)	100.0	100.0
Common Stock, $1⅔ par value (authorized, 500,000,000 shares):		
Issued at beginning of the year (287,704,811 shares in 1978 and 287,674,147 shares in 1977)	479.5	479.4
Newly issued stock sold under provisions of the Stock Option Plans and Savings-Stock Purchase Program (365,029 shares in 1978 and 30,664 shares in 1977)	.6	.1
Issued at end of the year (288,069,840 shares in 1978 and 287,704,811 shares in 1977)	480.1	479.5
Total capital stock at end of the year	763.7	763.1
Capital Surplus (principally additional paid-in capital):		
Balance at beginning of the year	772.1	770.3
Proceeds in excess of par value of newly issued common stock sold under provisions of the Stock Option Plans and Savings-Stock Purchase Program	19.9	1.8
Balance at end of the year	792.0	772.1
Net Income Retained for Use in the Business:		
Balance at beginning of the year	14,231.7	12,851.9
Net income	3,508.0	3,337.5
Total	17,739.7	16,189.4
Cash dividends:		
Preferred stock, $5.00 series, $5.00 per share	9.2	9.2
Preferred stock, $3.75 series, $3.75 per share	3.7	3.7
Common stock, $6.00 per share in 1978 and $6.80 per share in 1977	1,712.6	1,944.8
Total cash dividends	1,725.5	1,957.7
Balance at end of the year	16,014.2	14,231.7
Total Stockholders' Equity	$17,569.9	$15,766.9

Notes to Financial Statements (concluded)

Note 13. Segment Reporting

General Motors Corporation is a highly vertically-integrated business operating primarily in a single industry consisting of the manufacture, assembly, and sale of automobiles, trucks, and related parts and accessories. Net sales, net income, total assets and average number of employes in the United States and in locations outside the United States for 1978 and 1977 are summarized below. Net income is after provisions for deferred income taxes on unremitted earnings of operations outside the United States, less available tax credits and deductions, and appropriate consolidating adjustments for the geographic areas set forth below. Interarea sales are made at negotiated selling prices.

1978	United States	Canada	Europe	Latin America	All Other	Total[1]
Net Sales:			(Dollars in Millions)			
Outside	$49,048.8	$ 3,362.9	$ 7,421.0	$ 1,784.5	$ 1,603.9	$63,221.1
Interarea	4,450.0	3,412.8	245.7	94.0	4.8	—
Total net sales	$53,498.8	$ 6,775.7	$ 7,666.7	$ 1,878.5	$ 1,608.7	$63,221.1
Net Income (Loss)	$ 3,073.2	$ 157.5	$ 376.2	($ 96.2)[2]	$ 15.6	$ 3,508.0
Net Assets:						
Total current assets	$13,086.1	$ 947.4	$ 2,640.2	$ 788.4	$ 603.5	$17,999.5
Real estate, plants and equipment	17,908.4	912.5	2,248.9	446.5	535.7	22,052.0
Accumulated depreciation	(10,821.2)	(545.7)	(1,472.2)	(211.1)	(388.6)	(13,438.8)
Special tools—less amortization	691.3	12.8	221.5	12.5	54.3	992.4
Other assets	3,395.9	16.7	216.0	106.0	71.2	2,993.2
Total assets	24,260.5	1,343.7	3,854.4	1,142.3	876.1	30,598.3
Loans payable	95.1	—	545.3	310.3	164.5	1,115.2
Other current liabilities	6,635.6	469.6	1,315.6	324.8	189.8	8,935.4
Total current liabilities	6,730.7	469.6	1,860.9	635.1	354.3	10,050.6
Long-term debt	693.3	—	32.8	200.2	52.6	978.9
Other liabilities and deferred credits	1,387.0	149.6	634.6	22.4	47.5	1,998.9
Total liabilities	8,811.0	619.2	2,528.3	857.7	454.4	13,028.4
Allied accounts	472.1	(123.3)	(106.4)	(67.4)	(175.0)	—
Net assets	$15,921.6	$ 601.2	$ 1,219.7	$ 217.2	$ 246.7	$17,569.9
Average Number of Employes (in thousands)	611	38	126	34	30	839

1977	United States	Canada	Europe	Latin America	All Other	Total[1]
Net Sales:			(Dollars in Millions)			
Outside	$43,514.3	$3,149.8	$5,573.3	$1,440.2	$1,283.7	$54,961.3
Interarea	4,036.7	2,594.1	150.0	39.0	5.6	—
Total net sales	$47,551.0	$5,743.9	$5,723.3	$1,479.2	$1,289.3	$54,961.3
Net Income (Loss)	$ 2,976.2	$ 116.7	$ 277.3	($ 4.9)	($ 19.9)	$ 3,337.5
Total Assets	$20,452.7	$1,369.4	$2,892.1	$1,133.4	$ 891.8	$26,658.3
Net Assets	$13,715.7	$ 605.8	$ 976.4	$ 134.9	$ 371.2	$15,766.9
Average Number of Employes (in thousands)	580	34	119	34	30	797

[1] After elimination of interarea transactions. [2] Due principally to cost of liquidation of Argentine automotive operations.

Note 14. Contingent Liabilities

There are various claims and pending actions against the Corporation and its subsidiaries with respect to commercial matters, including warranties and product liability, governmental regulations including environmental and safety matters, civil rights, patent matters, taxes and other matters arising out of the conduct of the business. Certain of these actions purport to be class actions, seeking damages in very large amounts. The amounts of liability on these claims and actions at December 31, 1978 were not determinable but, in the opinion of the management, the ultimate liability resulting will not materially affect the consolidated financial position or results of operations of the Corporation and its consolidated subsidiaries.

Accountants' Report

Deloitte Haskins & Sells
Certified Public Accountants

1114 Avenue of the Americas
New York 10036

General Motors Corporation, its Directors and Stockholders:

February 14, 1979

We have examined the Consolidated Balance Sheet of General Motors Corporation and consolidated subsidiaries as of December 31, 1978 and 1977 and the related Statements of Consolidated Income and Changes in Consolidated Financial Position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies at December 31, 1978 and 1977 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

Supplementary Information

Lines of Business

General Motors is a highly integrated business engaged primarily in the manufacture, assembly and sale of automobiles, trucks and related parts and accessories classified as automotive products. Substantially all of General Motors' products are marketed through retail dealers and through distributors and jobbers in the United States and Canada and through distributors and dealers overseas. To assist in the merchandising of General Motors products, General Motors Acceptance Corporation and its subsidiaries offer financial services and certain types of automobile insurance to dealers and customers. The amount of net sales attributable to United States, Canadian and overseas operations, and by class of product are summarized for the five years ended December 31, 1978 as follows:

Net Sales Attributable to:	1978	1977	1976 (Dollars in Millions)	1975	1974
United States operations	$53,498.8	$47,551.0	$39,784.7	$28,917.8	$26,016.0
Canadian operations	6,775.7	5,743.9	5,263.0	4,263.3	3,693.7
Overseas operations	10,975.0	8,399.1	7,495.2	7,227.3	5,968.8
Elimination of interarea sales	(8,028.4)	(6,732.7)	(5,361.9)	(4,683.5)	(4,129.0)
Total	$63,221.1	$54,961.3	$47,181.0	$35,724.9	$31,549.5
Automotive products	$58,985.5	$51,429.5	$44,106.3	$32,536.0	$28,665.2
Nonautomotive products	$ 4,235.6	$ 3,531.8	$ 3,074.7	$ 3,188.9	$ 2,884.3

Because of the high degree of integration, substantial interdivisional and intercompany transfers of materials and services are made. Consequently, any determination of income by the classes of products or areas of operations shown above is necessarily arbitrary because of the allocation and reallocation of costs, including corporate costs, benefiting more than one division or product. Within these limitations, the Corporation estimates that the percentage of net income attributable to the United States, Canadian and overseas operations, and by class of product for the five years ended December 31, 1978 is as follows:

Percentage of Net Income Attributable to:	1978	1977	1976	1975	1974
United States operations	87%	89%	82%	85%	89%
Canadian operations	5	3	6	9	11
Overseas operations	8	8	12	6	—
Total	100%	100%	100%	100%	100%
Automotive products	96%	95%	97%	90%	92%
Nonautomotive products	4%	5%	3%	10%	8%

Selected Quarterly Data

	1978 Quarters 1st	2nd	3rd	4th	1977 Quarters 1st	2nd	3rd	4th
Dollars in Millions								
Net sales	$14,867.2	$17,026.1	$13,583.3	$17,744.5	$13,552.9	$14,880.6	$11,426.8	$15,101.0
Net income	869.6	1,106.3	527.9	1,004.2	903.4	1,096.6	402.0	935.5
Per Share Amounts								
Earned	3.03	3.86	1.84	3.51	3.14	3.82	1.40	3.26
Dividends	1.00	1.50	1.00	2.50	0.85	1.85	0.85	3.25
Stock Price Range*								
High	62.50	66.88	66.50	65.50	78.50	71.00	70.75	70.88
Low	57.13	59.25	58.00	53.75	66.38	65.88	64.75	61.13

*The principal market is the New York Stock Exchange and prices are based on the Composite Tape.

Replacement Cost Information

In compliance with regulations of the Securities and Exchange Commission, the Corporation will include certain estimated replacement cost information for worldwide inventories, property, cost of sales, depreciation of plants and equipment, and amortization of special tools in its Form 10-K report to be filed with the Commission. Stockholders who wish to obtain such information should request a copy of Form 10-K in accordance with the instructions on the inside front cover.

Supplementary Information (concluded)

Summary of Operations (Dollars in Millions Except Per Share Amounts)	**1978**	**1977**	**1976**	**1975**	**1974**
Net sales	$63,221.1	$54,961.3	$47,181.0	$35,724.9	$31,549.5
Equity in earnings of nonconsolidated subsidiaries and associates, and other income—net	111.6	277.0	211.9	21.0	166.8
Cost of sales and selling, general and administrative expenses, exclusive of items listed below	53,531.5	46,425.2	39,546.4	31,255.5	28,328.2
Depreciation of real estate, plants and equipment	1,180.6	974.0	939.3	906.1	846.6
Amortization of special tools	1,855.7	1,406.4	1,296.9	1,180.1	858.4
Provision for the Bonus Plan	168.4	161.0	139.7	32.9	5.9
United States, foreign and other income taxes	3,088.5	2,934.2	2,567.8	1,118.2	727.1
Net income	3,508.0	3,337.5	2,902.8	1,253.1	950.1
Dividends on preferred stocks	12.9	12.9	12.9	12.9	12.9
Earned on common stock	3,495.1	3,324.6	2,889.9	1,240.2	937.2
Dividends on common stock	1,712.6	1,944.8	1,590.5	688.4	973.3
Net income retained in the year	$ 1,782.5	$ 1,379.8	$ 1,299.4	$ 551.8	($ 36.1)
Net income—percent of sales	5.5%	6.1%	6.2%	3.5%	3.0%
—percent of stockholders' equity	20.0%	21.2%	20.2%	9.6%	7.6%
Earned on common stock—per share	$ 12.24	$ 11.62	$ 10.08	$ 4.32	$ 3.27
Dividends on common stock—per share	6.00	6.80	5.55	2.40	3.40
Net income retained in the year—per share	$ 6.24	$ 4.82	$ 4.53	$ 1.92	($ 0.13)
Average shares of common stock outstanding (in millions)	285.5	286.1	286.7	286.8	286.3
Dividends on capital stock as a percentage of net income	49.2%	58.7%	55.2%	56.0%	103.8%

Management's discussion and analysis of operations for 1978, 1977 and 1976 appear on pages 14 and 15. The impact of inflation is discussed in the Letter to Stockholders on page 2 and the Financial Review section on pages 18 and 19.
Certain amounts have been reclassified to conform with classifications for 1978.

Additional Statistics (Dollars in Millions Except Per Share Amounts)	1978	1977	1976	1975	1974
Expenditures for real estate, plants and equipment	$ 2,737.8	$ 1,870.9	$ 998.9	$ 1,200.9	$ 1,458.5
Expenditures for special tools	$ 1,826.7	$ 1,775.8	$ 1,308.4	$ 1,035.6	$ 1,095.6
Worldwide average number of employes (in thousands)	839	797	748	681	734
Worldwide payrolls (including GMAC)	$17,195.5	$15,270.8	$12,908.5	$10,028.4	$ 9,771.4
Common and preferred stockholders—Number (in thousands)	1,268	1,245	1,251	1,323	1,348
—Equity	$17,569.9	$15,766.9	$14,385.2	$13,082.4	$12,530.6
Book value per share of common stock	$ 60.01	$ 53.82	$ 49.02	$ 44.50	$ 42.58
Working capital	$ 7,948.9	$ 7,630.3	$ 7,556.6	$ 6,394.0	$ 5,541.9

Worldwide Factory Sales of Cars and Trucks (Units in Thousands)	1978	1977	1976	1975	1974
Manufactured in the United States					
Passenger cars	5,292	5,259	4,883	3,680	3,592
Trucks and coaches	1,586	1,436	1,335	978	1,086
Total manufactured in the United States	6,878	6,695	6,218	4,658	4,678
Manufactured in Canada	853	777	715	595	642
Manufactured overseas*	1,751	1,596	1,635	1,376	1,370
Total factory sales of cars and trucks—all sources	9,482	9,068	8,568	6,629	6,690

*Includes units manufactured by Isuzu Motors Limited under contract for and marketed by GM.

1979 Public Interest Report

Additional information on GM operations in such areas as automotive emissions and fuel economy, automotive safety, industrial energy management, alternative auto engine developments, overseas operations, product quality and service, equal employment opportunities, and environmental control programs will be available in a supplemental booklet "1979 General Motors Public Interest Report" after April 1. Stockholders wishing to receive a copy of this booklet may write to: General Motors Corporation, Room 11-227, General Motors Building, Detroit, Michigan 48202.

Board of Directors

ANNE L. ARMSTRONG
Former U.S. Ambassador to Great Britain
Director—2 Years

CATHERINE B. CLEARY
Former Chairman of the Board,
First Wisconsin Trust Company
(Trust Services)
Director—6 Years

JOHN T. CONNOR
Chairman of the Board,
Allied Chemical Corporation
(Chemical, Fabricated and Energy Products)
Director—13 Years

WALTER A. FALLON
Chairman of the Board,
Eastman Kodak Company
(Photographic Equipment, Chemicals and Fibers)
Director—6 Years

CHARLES T. FISHER, III
President,
National Bank of Detroit
(Banking)
Director—7 Years

RICHARD C. GERSTENBERG
Former Chairman,
Board of Directors
Director—11 Years

SHEARON HARRIS
Chairman of the Board,
Carolina Power & Light Company
(Electric Utility)
Director—2 Years

ROBERT S. HATFIELD
Chairman of the Board,
The Continental Group, Inc.
(Packaging Products)
Director—5 Years

HOWARD H. KEHRL
Executive Vice President,
Overseas Operations and Technical Staffs
Service—31 Years
Director—4 Years

JOHN A. MAYER
Former Chairman of the Board,
Mellon Bank N.A.
(Banking)
Director—10 Years

F. JAMES McDONALD
Executive Vice President,
North American Car & Truck, Worldwide Components, and Power & Appliance Operations
Service—38 Years
Director—4 Years

W. EARLE McLAUGHLIN
Chairman of the Board,
The Royal Bank of Canada
(Banking)
Director—12 Years

HOWARD J. MORGENS
Chairman Emeritus,
The Procter & Gamble Company
(Household and Industrial Products)
Director—16 Years

EDMUND T. PRATT, JR.
Chairman of the Board,
Pfizer Inc.
(Pharmaceutical Products, Cosmetics and Chemicals)
Director—2 Years

J. STANFORD SMITH
Chairman of the Board,
International Paper Company
(Paper and Wood Products)
Director—2 Years

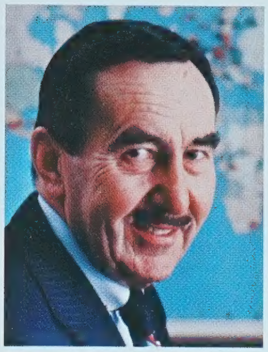
ROGER B. SMITH
Executive Vice President,
Operating Staffs and Financial Operations
Service—30 Years
Director—4 Years

LEON H. SULLIVAN
Pastor, Zion Baptist Church of Philadelphia
Director—8 Years

RICHARD L. TERRELL*
Vice Chairman,
Board of Directors
Service—41 Years
Director—6 Years

**Retired January 1, 1979*

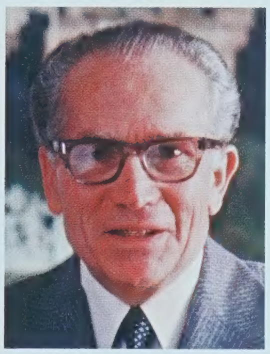
JOHN D. deBUTTS
Former Chairman of the Board,
American Telephone and Telegraph Company
(Communications)
Director—3 Years



ELLIOTT M. ESTES
President and Chief Operating Officer
Service—44 Years
Director—6 Years

RAYMOND H. HERZOG
Chairman of the Board,
Minnesota Mining and Manufacturing Company
(Household and Industrial Products)
Director—1 Year

REUBEN R. JENSEN
Executive Vice President,
Worldwide Components and Power & Appliance Operations
Service—33 Years
Director—4 Years



THOMAS A. MURPHY
Chairman, Board of Directors and Chief Executive Officer
Service—41 Years
Director—7 Years

ELLMORE C. PATTERSON
Former Chairman of the Board,
Morgan Guaranty Trust Company of New York
(Banking)
Director—5 Years

CHARLES H. TOWNES
Professor, University of California
(Physics)
Director—5 Years

Committees of the Board

THE FINANCE COMMITTEE includes both employe and non-employe Directors and is responsible for the determination of financial policies and the management of financial affairs including matters such as capital requirements and dividend recommendations to the Board.

THOMAS A. MURPHY
Chairman

ROGER B. SMITH
Vice Chairman

JOHN T. CONNOR
ELLIOTT M. ESTES
WALTER A. FALLON
CHARLES T. FISHER, III
RICHARD C. GERSTENBERG
JOHN A. MAYER
HOWARD J. MORGENS
ELLMORE C. PATTERSON

THE EXECUTIVE COMMITTEE is composed entirely of employe Directors and is responsible for determining operating policies, including product plans and the need for capital expenditures.

ELLIOTT M. ESTES
Chairman

REUBEN R. JENSEN
HOWARD H. KEHRL
F. JAMES McDONALD
THOMAS A. MURPHY
ROGER B. SMITH

THE AUDIT COMMITTEE, composed entirely of non-employe Directors, oversees the audit of the accounts through selecting and engaging the independent public accountants, with whom the Committee reviews the scope of the audits, the accounting principles to be applied in financial reporting, and, in its oversight role, ascertaining that the internal controls are effective.

JOHN D. deBUTTS
Chairman

ANNE L. ARMSTRONG
W. EARLE McLAUGHLIN
EDMUND T. PRATT, JR.
J. STANFORD SMITH
LEON H. SULLIVAN
CHARLES H. TOWNES

THE PUBLIC POLICY COMMITTEE, composed entirely of non-employe Directors, inquires into every phase of Corporate activities that relate to public policy and makes appropriate recommendations to management or the full Board.

CATHERINE B. CLEARY
Chairman

ANNE L. ARMSTRONG
JOHN D. deBUTTS
SHEARON HARRIS
RAYMOND H. HERZOG
LEON H. SULLIVAN
CHARLES H. TOWNES

THE BONUS AND SALARY COMMITTEE, composed entirely of non-employe Directors, reviews executive compensation plans and benefit programs and determines compensation of Corporate officers and other members of the management group.

HOWARD J. MORGENS
Chairman

JOHN T. CONNOR
WALTER A. FALLON
RICHARD C. GERSTENBERG
ROBERT S. HATFIELD
JOHN A. MAYER
ELLMORE C. PATTERSON

THE NOMINATING COMMITTEE, composed entirely of non-employe Directors, conducts continuing studies of the size and composition of the Board of Directors and recommends candidates for membership.

JOHN T. CONNOR
Chairman

CATHERINE B. CLEARY
WALTER A. FALLON
CHARLES T. FISHER, III
JOHN A. MAYER
HOWARD J. MORGENS
ELLMORE C. PATTERSON

THOMAS A. MURPHY
Chairman and Chief Executive Officer

ELLIOTT M. ESTES
President and Chief Operating Officer

RICHARD L. TERRELL*
Vice Chairman

EXECUTIVE VICE PRESIDENTS

REUBEN R. JENSEN

HOWARD H. KEHRL

F. JAMES McDONALD

ROGER B. SMITH

VICE PRESIDENTS AND GROUP EXECUTIVES

MARTIN J. CASERIO
Electrical Components Group

DAVID C. COLLIER
Finance Group

ALEXANDER A. CUNNINGHAM
Overseas Group

ROBERT W. DECKER
Car and Truck Group

GEORGE R. ELGES
Mechanical Components Group

JOSEPH E. GODFREY
Body and Assembly Group

ALEX C. MAIR
Technical Staffs Group

PAUL D. PENDER
Operating Staffs Group

DAVID S. POTTER
Public Affairs Group

HAROLD L. SMITH
Power and Appliance Group

**Retired January 1, 1979*

VICE PRESIDENTS

BETSY ANCKER-JOHNSON**
Environmental Activities Staff

DONALD J. ATWOOD
General Manager
Detroit Diesel Allison Division

JOHN F. BECK
General Director
Latin American Operations

ROBERT D. BURGER
Marketing Staff

PAUL F. CHENEA
Research Laboratories

PATRICK J. COLETTA
General Manager
GM Assembly Division

ROBERT J. COOK
General Manager
Oldsmobile Division

THOMAS E. DARNTON
Procurement, Production Control and Logistics Staff

ANTHONY G. DeLORENZO
Public Relations Staff

HENRY L. DUNCOMBE, JR.†
Chief Economist

JOHN R. EDMAN
Financial Staff

STEPHEN H. FULLER
Personnel Administration and Development Staff

PETER K. HOGLUND
General Manager
Electro-Motive Division

***Effective February 16, 1979*

†Retired February 1, 1979

CHARLES KATKO
General Manager
Fisher Body Division

EDWARD C. KENNARD
General Manager
Cadillac Motor Car Division

EMMETT B. LEWIS, JR.
General Manager
Frigidaire Division

ROBERT D. LUND
General Manager
Chevrolet Motor Division

ROBERT F. MAGILL
Industry-Government Relations Staff

THOMAS O. MATHUES
Manufacturing Staff

JOHN P. McCORMACK
General Director
Europe, Mid-East and Africa

DONALD H. McPHERSON
General Manager
Buick Motor Division

GEORGE B. MORRIS, JR.
Industrial Relations Staff

ROBERT A. NITSCHKE
Associate General Counsel

WALTER R. PRICE
Managing Director
Vauxhall Motors Limited

JOHN QUICK
General Director
Pacific Operations

IRVIN W. RYBICKI
Design Staff

CHARLES J. SCANLON
Coordinator of Pension Fund Investments

F. ALAN SMITH
President and General Manager
General Motors of Canada Limited

OTIS M. SMITH
General Counsel

ROBERT C. STEMPEL
General Manager
Pontiac Motor Division

ROBERT W. TRUXELL
General Manager
GMC Truck & Coach Division

JAMES G. VORHES
Consumer Relations and Service Staff

JAMES F. WATERS, JR.
Managing Director
Adam Opel AG

FRANK J. WINCHELL
Engineering Staff

STAFF OFFICERS

ROBERT T. O'CONNELL
Treasurer

WILLIAM E. HOGLUND
Comptroller

CAROL M. CONKLIN
Secretary

OPEL MONZA S Coupe

HOLDEN GEMINI SL/E Coupe

GM do BRASIL CHEVROLET CHEVETTE 2-Door

VAUXHALL CARLTON Sedan

Printed in U.S.A.

General Motors Corporation
Detroit, Michigan 48202

OLDSMOBILE TORONADO